

VZCZCXRO9913
PP RUEHCHI RUEHDT RUEHHM RUEHJO RUEHNN
DE RUEHPF #2208/01 3541236
ZNR UUUUU ZZH
P 201236Z DEC 06
FM AMEMBASSY PHNOM PENH
TO RUEHC/SECSTATE WASHDC PRIORITY 7728
INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY
RUEHXI/LABOR COLLECTIVE PRIORITY
RUEHC/DEPT OF LABOR WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 PHNOM PENH 002208

SIPDIS

SENSITIVE
SIPDIS

STATE FOR EAP/MLS, EB/TPP, AND DRL/IL
LABOR FOR ILAB--CHRIS WATSON AND JONA LAI

E.O. 12958: N/A
TAGS: [ELAB](#) [ECON](#) [PGOV](#) [KTEX](#) [CB](#)
SUBJECT: CAMBODIA: LABOR UNREST TOPS INDUSTRIAL RELATIONS
CONFERENCE AGENDA

11. (U) SUMMARY. Dramatic increases in labor unrest, government interference in union affairs, labor violence, and a nearly universal disregard for the labor law topped the concerns raised at the Second National Industrial Relations Conference on December 18. The Ambassador's keynote address noted that economic success was attainable but not assured, and that poor labor relations had the potential to derail garment sector growth. Researchers contrasted the pro-active approach hotel managers have successfully used to dramatically reduce labor disputes with the "it can't happen to me" attitude prevalent in the strike-prone garment sector. Factory managers and workers alike revealed they have much more confidence in the USG-funded Arbitration Council than in the Cambodian government's conciliation team. END SUMMARY.

Ambassador, ILO Official Highlight Worrying Trends

12. (U) Describing the year as a whole as "a disappointing one for industrial relations" in his keynote address, the Ambassador cited dramatic increases in garment sector strikes (most of which were illegal), worker and employer attempts to circumvent the arbitration process, labor-related violence, and government intervention in garment sector-wide wage negotiations. While the most unionized sectors of the economy--the garment and tourism industries--played a large role in Cambodia's spectacular 2005 economic growth, he warned that Cambodia should not be complacent about its economic future. The excellent working conditions in Cambodia's garment factories were once unusual and a competitive advantage, but now that many other countries offer safe and fair factory conditions, Cambodia must improve price, quality, and turnaround time to stay competitive. Furthermore, labor unrest or labor scandals could frighten buyers away from Cambodia.

13. (U) In a similarly frank speech, International Labor Organization (ILO) Chief Technical Advisor John Ritchotte, praised the "landmark progress in dialogue between employers and workers...which would have been impossible just 18 months ago." Ritchotte then stated that his general optimism about Cambodia's labor relations was tempered by a number of troubling trends: lack of union accountability and transparency, outside interference in union affairs, illegal strikes, the use of abusive contractual terms to reinforce employment insecurity, and blacklisting union activists.

Unsophisticated Unions, Reactive Managers Feed Disputes

14. (U) A revealing study by the local NGO Community Legal Education Center explored the causes of labor disputes and

why they are more common in some industries, and in some factories, than others. Among its findings:

--Labor disputes most often occur over discretionary or confusing wage issues--such as piece rates, overtime, leave, or seniority--or union-related issues such as the dismissal of a union leader.

--Hotel managers in Cambodia recognize the cost associated with strikes and often try to manage that risk with robust, formal dispute resolution mechanisms within their human resources department. In contrast, garment factory managers often feel that labor disputes "shouldn't happen" or blame unions or poorly educated workers for them. These differing approaches help to explain why industrial relations in Cambodia's hotel industry are far more stable and amicable than in the garment sector.

--Union leaders are often young and don't understand how labor disputes occur or could be pro-actively managed. They often blame management for labor disputes.

--Unions are not able to communicate effectively with their membership, and in some cases do not even know that their workers are on strike.

--Companies with multiple unions often have considerable inter-union conflict, which confuses workers and impedes progress towards labor objectives.

More Confidence in Arbitrators than Government Conciliators

15. (SBU) Khieu Savuth, Deputy Director of the Ministry of PHNOM PENH 00002208 002 OF 002

Labor and Vocational Training's Labor Dispute Department, stated that the department successfully resolved 65% of the 217 cases it has received so far this year. However, factory, Garment Manufacturers Association of Cambodia (GMAC), and union representatives privately took issue with this claimed success, telling us that many conciliators actually prolong or incite labor unrest in order to extract bribes from factory management. (NOTE: Cambodian labor law mandates that labor disputes be referred first to the Labor Ministry for conciliation, and if they remain unresolved, then to the Arbitration Council. END NOTE.)

16. (U) Union, factory and GMAC attendees had more positive views of the Arbitration Council, although some parties from each side stated that they disagreed with some of its rulings. The Arbitration Council reported receiving an average of 10 cases per month and estimates that since its inception in 2003 it has heard cases affecting more than 270,000 workers. The percentage of cases in which one or both parties object to the arbitral award has been decreasing over the past three years, so that now approximately one-third of cases are resolved by mutual agreement prior to arbitration (though often in the hearing room with assistance from the arbitrators), another one-third have awards which are accepted by both parties, and the remainder have awards to which at least one side objects.

17. (U) Arbitrators also outlined recent developments in labor jurisprudence, including distinguishing between casual and regular workers, illegal dismissals of union officials, delineating between individual and collective disputes, attendance bonuses, and maternity leave.

18. (U) COMMENT: This year's national industrial relations conference came after a year full of both highs--like rival unions negotiating together--and lows--government interference in garment sector negotiations, an increase in labor unrest, strike-related violence, and the first felony conviction of a union activist. The conference has become a rare and useful platform for international labor observers to

call attention to troubling trends which Cambodian officials consider too sensitive to discuss publicly. By highlighting the economic consequences of labor unrest together with the causes of disputes and different approaches to managing them, the conference highlighted an important problem and suggested first steps in addressing it. END COMMENT.
MUSSOMELI